

**GRAVITY DRAINAGE DISTRICT NO. 7
OF CAMERON PARISH
CAMERON PARISH POLICE JURY
CAMERON, LOUISIANA**

COMPONENT UNIT FINANCIAL REPORT

DECEMBER 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

8/17/11

GRAVITY DRAINAGE DISTRICT NO. 7
OF CAMERON PARISH
CAMERON PARISH POLICE JURY

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Title Page	
Table of Contents	2
List of Principal Officials	3
FINANCIAL SECTION	
Report of Independent Auditors	4-6
Government-Wide Financial Statements	
Statement of Net Assets - Governmental Funds	7
Statement of Activities - Governmental Funds	8
Fund Financial Statements	
Governmental Fund:	
Balance Sheet - General Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund	10-11
Notes to the Financial Statements	12-22
Required Supplementary Information	23
Budgetary Comparison Schedule - Budgetary (Non-GAAP) Basis	24
Note to Required Supplementary Information - Budgetary Reporting	25
Schedule of Funding Progress for Cameron Drainage District No. 7	26
SUPPLEMENTAL INFORMATION	
Schedule of Per Diem Paid To Board Members	27
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Conducted in Accordance with Government Auditing Standard	28-29
Schedule of Findings and Responses	30-32
Summary Schedule of Prior Year Findings	33

GRAVITY DRAINAGE DISTRICT NO. 7
OF CAMERON PARISH
CAMERON PARISH POLICE JURY

December 31, 2010

BOARD OF DIRECTORS

Ernest Carol Trahan - President
Billy Storm - Vice President
Curtis Trahan - Secretary/Treasurer
Ivan Barentine - Board Member
Robert Trahan - Board Member
Eric Trahan - Board Member

McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925
800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070
337 433-1063 • Fax 337 436-6618 • Web page: www.mqb-cpa.com

09820.000Cameron Parish Gravity #7Audit 12/31/2010 financial report

Robert M. Gani, CPA, MT
Mollie C. Broussard, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFP™
Billy D. Fisher, CPA
Joe G. Peshoff, II, CPA, CVA

Michael N. McGee, CPA
David M. DesOrmeaux, CPA
Paula J. Thompson, CPA



Ottay J. Woods, Jr., CPA, Inactive
Robert F. Cargile, CPA, Inactive
William A. Mancusa, CPA, Inactive
Barbara Hutson Gonzales, CPA, Retired
Judson J. McCann, Jr., CPA, Retired
Martin J. Chehovsky, CPA, CFE
Carl W. Comeaux, CPA, Retired
Gus W. Schram, III, CPA, CVA, Retired

CFE - Certified Fraud Examiner
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Gravity Drainage District No. 7
of Cameron Parish
Cameron Parish Police Jury
Cameron, Louisiana

We have audited the accompanying financial statements of the governmental activities of the Gravity Drainage District No. 7 of Cameron Parish, a component unit of Cameron Parish Police Jury, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Gravity Drainage District No. 7 of Cameron Parish as of December 31, 2010, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2011 on our consideration of Gravity Drainage District No. 7 of Cameron Parish, Louisiana's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the supplemental information as disclosed in the table of contents on pages 23 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gravity Drainage District No. 7 of Cameron Parish, Louisiana's financial statements as a whole. The schedule of per diem paid to board members on page 27 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of per diem paid to board members is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gravity Drainage District No. 7 of Cameron Parish has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cameron Parish Gravity Drainage District No. 7's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, do not express an opinion or provide any assurance on it.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Busch

Lake Charles, Louisiana
June 27, 2011

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
CAMERON PARISH POLICE JURY

STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
December 31, 2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 383,329
Investments	279,220
Ad valorem taxes receivable	334,433
Prepaid insurance	<u>8,425</u>
Total current assets	1,005,407

NONCURRENT ASSETS

Capital assets (net)	<u>445,000</u>
----------------------	----------------

Total assets	<u>1,450,407</u>
--------------	------------------

CURRENT LIABILITIES

Accounts payable	14,951
Due to governmental units	<u>11,018</u>
Total current liabilities	25,969

NONCURRENT LIABILITIES

Total liabilities	<u>25,969</u>
-------------------	---------------

NET ASSETS

Restricted	35,577
Unrestricted	943,861
Invested in capital assets (net of related debt)	<u>445,000</u>
Total net assets	<u>\$ 1,424,438</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
CAMERON PARISH POLICE JURY

STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
Year Ended December 31, 2010

	Functions/Programs		
	Administration	Drainage	Total
Expenses:			
Salaries and benefits	\$ 22,650	\$ 135,055	\$ 157,705
Materials and supplies	-	24,348	24,348
Operating services	31,023	41,234	72,257
Miscellaneous	1,693	-	1,693
Depreciation	10,243	50,321	60,564
Total expenses	\$ 65,609	\$ 250,958	316,567
General revenues:			
Ad valorem taxes			428,831
Investment income			10,800
Miscellaneous			6,825
Grants			43,739
Total general revenues			490,195
Change in net assets			173,628
Net assets - beginning			1,250,810
Net assets - ending			\$ 1,424,438

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
CAMERON PARISH POLICE JURY

BALANCE SHEET - GENERAL FUND
December 31, 2010

ASSETS

Cash and cash equivalents	\$ 383,329
Investments	279,220
Ad valorem taxes receivable	<u>334,433</u>
Total assets	<u>\$ 996,982</u>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts payable	\$ 14,951
Due to governmental units	<u>11,018</u>
Total liabilities	<u>25,969</u>

Fund equity:

Fund balance:	
Unreserved/undesignated	<u>971,013</u>

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$378,073	445,000
--	---------

Prepays used in governmental activities are reported as expenditures in the period they are acquired	<u>8,425</u>
---	--------------

Net assets of government activities	<u>\$ 1,424,438</u>
-------------------------------------	---------------------

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
CAMERON PARISH POLICE JURY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUND
Year Ended December 31, 2010

Revenues:	
Ad valorem taxes	\$ 428,831
Investment income	10,800
Miscellaneous	6,825
Grants	<u>43,739</u>
Total revenues	<u>490,195</u>
Expenditures:	
Drainage:	
Salaries and benefits	144,587
Per diem (Board of Commissioners)	2,100
Operating services	76,052
Materials and supplies	24,348
Intergovernmental	11,018
Miscellaneous	1,693
Capital outlay	<u>21,371</u>
Total expenditures	<u>281,169</u>
Excess of revenues over expenditures	209,026
Fund balance - beginning	<u>761,987</u>
Fund balance - ending	<u>\$ 971,013</u>

(continued on next page)

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
CAMERON PARISH POLICE JURY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUND
Year Ended December 31, 2010
(Continued)

Reconciliation of the change in fund balances - total
governmental funds to the change in net assets of
governmental activities:

Net change in fund balances - total governmental funds \$ 209,026

Amounts reported for governmental activities in the
statement of net assets are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the costs of
those assets is allocated over their estimated useful
lives and reported as depreciation expense. This is
the amount by which capital outlays exceeded depreciation
in the current period. (39,193)

Governmental funds report prepaids as expenditures.
However, in the statement of net assets the cost of
these items are allocated over the period covered by
the expenditure. This is the amount by which current
year prepaids exceeded prior year prepaids. 3,795

Change in net assets of governmental activities \$ 173,628

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
CAMERON PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

1. Nature of Business

Gravity Drainage District No. 7 of Cameron Parish (the District) is a corporate body created by the Cameron Parish Police Jury, as provided by Louisiana Revised Statute 38:1751-1802. The District is governed by a board of five commissioners who are appointed by the Cameron Parish Police Jury. The Drainage District is authorized to construct, maintain and improve the system of gravity drainage within the District. The District covers 397 square miles and serves an approximate population of 935.

2. Summary of Significant Accounting Policies

The accounting policies of the Gravity Drainage District No. 7 of Cameron Parish conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*. The following is a summary of the more significant policies:

A. Financial Reporting Entity

The Drainage District is a component unit of the Cameron Parish Police Jury, the governing body of the Parish. The District is financially accountable to the Police Jury since the Police Jury appoints a majority of the District's board members. The accompanying financial statements present information only on the funds and account groups maintained by the Drainage District and do not present information on the Cameron Parish Police Jury.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity.

FUND FINANCIAL STATEMENTS

The financial transactions of the Fund are reported in individual funds in the fund financial statements. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the District. It accounts for all financial resources.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, the following practices are utilized in recording revenues and expenditures:

Revenues - The governmental fund type uses a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. The revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Those revenues susceptible to accrual are property taxes, intergovernmental, and interest revenue.

Expenditures - Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Budgets and Budgetary Accounting

Annually, the District adopts a revenue and expenditure budget for the general fund. A forecast of revenues and expenditures is made based upon the prior year's expenditures, taking into consideration additional expenditures that can be predetermined and estimated. Amendment to the budget is required when actual receipts for the year fail to meet budgeted revenues by five percent or more, or when actual expenditures for the year exceed budgeted expenditures by five percent or more.

The budget is adopted on the cash basis method of accounting. Budgetary comparisons presented in this report are on this non-GAAP budgetary basis. Budget amounts are as originally adopted, adjusted for subsequent amendments.

Encumbrance accounting is not used.

E. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all demand deposits, savings accounts and certificates of deposit maturing within one year. Investments include certificates of deposit and bonds maturing in more than one year.

Louisiana State Statutes, as stipulated in R.S. 39:1271, authorize the District to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana.

The District has stated all other investments, not included above, at fair value as of December 31, 2010, in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value was determined by obtaining "quoted" year end market prices.

F. Capital Assets and Depreciation

In the government-wide financial statements, capital assets (other than infrastructure) purchased or acquired with an original cost of \$2,500 or more are reported at historical cost. A capitalization threshold of \$100,000 is used for infrastructure such as drainage systems. Additions, improvement and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Computer equipment, including software	5 - 10 years
Furniture and office equipment	5 - 10 years
Buildings and improvements	15 - 40 years
Infrastructure	40 years

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the fund upon acquisition. Capital assets reported herein include only those assets purchased by the District and do not reflect assets of the district obtained from other sources. The District has no infrastructure assets.

G. Fund Balances and Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Net assets are segregated into three categories on the government-wide statement of net assets: 1) investment in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

The District has reserved a portion of the fund balance for prepaid insurance and for a percentage of taxes paid under protest. See Note 7.

H. Levied Taxes

Ad valorem taxes are assessed on a calendar year basis (levied in October), become due on November 15 of each year, and become delinquent on December 31. The lien date is the date in which the tax assessor files the tax roll with the Clerk of Court, which is the same date as the levy date. The taxes are generally collected in December of the current year and January and February of the ensuing year. The property tax receivable of \$334,433 for 2010 is net of an estimated uncollectible amount of \$-0-. Management believes any credit risk related to this receivable is minimal.

Ad valorem taxes are levied on the assessed value as of the prior January 1 for all real estate, merchandise, and movable property located in the Parish. Assessed values are established by the Cameron Parish Assessor and the Louisiana Tax Commission at a percent of actual value, as specified by Louisiana law. An assessment of all property is required to be completed no less than every four years. The authorized and levied ad valorem tax is 4.00 millage (2010).

I. Vacation/Sick Leave and Pension Plan

The full time employee's salary is paid by the Cameron Parish Police Jury and his retirement and vacation benefits are established and provided by the Police Jury since the individual is an employee of the Police Jury. The District does reimburse the Police Jury for the salaries and benefits of individuals specifically working with this district's activities. The District does not provide any direct benefits in the form of retirement or vacation.

3. Cash and Cash Equivalents

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or any Louisiana parish, municipality, or school district. The District's bank and demand and time deposits at year end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the District's name.

4. Investments

Louisiana state statutes authorize the District to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, investment as stipulated in R.S. 39:12171, or any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

As of December 31, 2010, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Money market	\$ 13	\$ 13	\$ -	\$ -	\$ -
Money funds	95,059	95,059	-	-	-
Mortgage backed securities	184,148	-	-	-	184,148
	<u>\$ 279,220</u>	<u>\$ 95,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,148</u>

Interest rate risk. The District's investment policy does not address interest rate risk.

Credit risk. In accordance with state law, the District limits investments to the following:

1. Direct U.S. Treasury obligations, the principal and interest of which are fully guaranteed by the U.S. government.
2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and provided such obligations are backed by the full faith and credit of the U.S., including U.S. Export Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration Debentures, General Services Administration, Government National Mortgage Association (guaranteed mortgage-backed bonds and guaranteed pass-through obligations), U.S. Maritime Administration (guaranteed Title XI financing), and U.S. Department of Housing and Urban Development.
3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by U.S. government instrumentalities, which are federally sponsored, including Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Resolution Funding Corporation.
4. Direct security repurchase agreements of any federal bank entry only securities enumerated above.

5. Time certificates of deposit of state banks organized under the laws of Louisiana or national banks having their principal offices in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks, or share accounts and share certificate accounts of federally or state chartered credit unions issuing time certificates of deposit; provided that the rate of interest paid for time certificates of deposit shall be not less than fifty basis points below the prevailing market interest rate on direct obligations of the U.S. Treasury with a similar length of maturity.
6. Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies.

As of December 31, 2010, all of the District's investments were held according to policy.

Custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

At December 31, 2010, the reported value of investments includes a \$1,548 differential between the cost of \$277,672 and market value of \$279,220.

5. Capital Assets

Capital asset activity for the years ended December 31, 2010 was as follows:

	Balance 1/1/10	Increases	Decreases	Balance 12/31/10
Buildings and improvements	\$ 91,508	\$ -	\$ -	\$ 91,508
Equipment	770,758	21,371	-	792,129
Accumulated depreciation	(378,073)	(60,564)	-	(438,637)
Capital assets, net	<u>\$ 484,193</u>	<u>\$ (39,193)</u>	<u>\$ -</u>	<u>\$ 445,000</u>

6. Insurance

The District participates in the Insurance and Trust Fund established by the Cameron Parish Police Jury (an entity other than a public entity risk pool) for purposes of obtaining better rates on the District's general liability insurance and errors and omissions insurance.

The Police Jury (as an oversight entity) purchases commercial insurance for all of the above risks. The coverage obtained is similar to prior years and the District has not been required to fund any excess amounts for settlements exceeding insurance coverage. The Cameron Parish Police Jury has also denoted that they did not incur any claim in excess of insurance coverage. For the 2009-2010 policy period, the District contributed approximately \$5,780 to the Insurance and Trust Fund. The District does have separate insurance policies on their office building and on specific equipment items with premiums of \$5,957 and \$3,546 for 2010.

7. Contingency for Taxes Paid Under Protest

As of December 31, 2010 the District has received taxes paid under protest from the Cameron Parish Tax Collector's Office with an estimated 40% subject to judgment. In the event the taxpayer is successful with his protest, the judgment in favor of the taxpayer may operate as a credit against future taxes or may require a cash payment out of future tax receipts. Under the provisions of Louisiana Revised Statute 47:1856E, any funds received as payment of taxes under protest shall generally be used only for non-recurring expenses. The District has segregated a portion of the fund balance for its estimate of the portion of the receivable subject to judgment and, therefore, not available for recurring expenses.

	<u>2010</u>
Balance of amounts received under protest	\$ 67,881
Reserved for taxes paid under protest	27,152

8. Other Contingencies

Management has represented that there is no litigation pending against the Gravity Drainage District No. 7 at December 31, 2010.

9. Postemployment Healthcare Plan

Plan description:

The District participates in a combined health and medical self-insurance plan with the Cameron Parish Police Jury. The arrangement may be classified as an Agent Multiple-Employer Defined Benefit Healthcare Plan in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. By action of the Board of Directors, the District provides postemployment health care insurance benefits for retired employees. A separate financial report is not issued by the plan.

Funding policy:

The District funds the plan on a pay as you go basis, and therefore, does not contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB cost:

For 2010, the District's annual OPEB cost (expense) was \$1,081 and the District's ARC was \$1,081. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/10	\$ 1,081	0%	\$ 7,880

Funded status and funding progress:

The funded status of the plan as of December 31, 2010 was as follows:

Actuarial accrued liability (AAL)	\$ 4,007
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability	<u>\$ 4,007</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 42,000
UAAL as a percentage of covered payroll	9.54%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial assumptions and basis:

Actuarial cost method:

The ARC is determined using the Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial value of plan assets:

Since this is the first actuarial valuation, there are not any assets. It is anticipated that in future valuations, should the OPEB obligations be funded, a smoothed market value consistent with Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45.

Mortality:

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is the mortality table which the IRS requires to be used in determining the value of accrued benefits in defined benefit pension plans.

Expected time of commencement of benefits:

Based on past experience, it has been assumed that entitlement to benefits will commence three years after eligibility to enter the D.R.O.P., as described above under "Plan Terms".

Turnover:

As age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 5%.

Method of determining value of benefits:

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays a flat \$150 per month of the cost of the medical and life insurance combined for the retirees only (not dependents). Because of the combined nature of the flat monthly employer payment, we have valued only the medical benefits.

Investment return assumption (discount rate):

GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. To accommodate the event that the ARC is funded, a 4% annual investment return has been used in this valuation.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2010 and 2009

Required supplementary information includes financial information and disclosures that are required by GASB and are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary (Non-GAAP) Basis
- Note to Required Supplementary Information - Budgetary Reporting
- Schedule of Funding Progress for Cameron Gravity Drainage District No. 7 Retiree Health Plan

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended December 31, 2010

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Ad valorem taxes and state				
revenue sharing	\$ 428,105	\$ 417,131	\$ 428,215	\$ 11,084
Interest earnings	300	418	10,800	10,382
Other	-	48,009	48,871	862
Total revenues	<u>428,405</u>	<u>465,558</u>	<u>487,886</u>	<u>22,328</u>
Expenditures:				
Salaries and payroll taxes	88,000	154,216	142,485	11,731
Operating services	87,300	81,751	76,986	4,765
Materials and supplies	55,000	24,467	24,348	119
Intergovernmental charges	-	-	11,083	(11,083)
Capital outlay	11,500	21,371	21,371	-
Miscellaneous	2,000	1,885	-	1,885
Total expenditures	<u>243,800</u>	<u>283,690</u>	<u>276,273</u>	<u>7,417</u>
Excess of revenues				
over expenditures	184,605	181,868	211,613	29,745
Fund balance - beginning	<u>723,547</u>	<u>723,547</u>	<u>723,557</u>	<u>-</u>
Fund balance - ending	<u>\$ 908,152</u>	<u>\$ 905,415</u>	<u>\$ 935,160</u>	<u>\$ 29,745</u>

The accompanying note is an integral part of this schedule.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING

The accompanying budgetary comparison schedule presents comparisons of the adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basic, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the years ended December 31, 2010 is presented below:

	<u>2010</u>
Excess of revenues and other financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ 211,613
Adjustments:	
To adjust revenues for property tax and interest revenue accruals	616
To adjust expenditures for expense accruals prepaid insurance, and prepaid lease	<u>(3,203)</u>
Excess of revenues and other financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$ 209,026</u>

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

SCHEDULE OF FUNDING PROGRESS FOR CAMERON DRAINAGE DISTRICT NO. 7
RETIREE HEALTH PLAN
Year Ended December 31, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of Percentage of Covered Payroll ((b-a)/c)
12/31/10	\$ -	\$ 4,007	\$ 4,007	0%	\$ 42,000	9.54%

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
December 31, 2010

PER DIEM PAID TO BOARD MEMBERS

Per diem and other compensation amounts paid to the Board of Commissioners for the year ended December 31, 2010 are as follows:

	<u>2010</u>
Ernest Trahan	\$ 700
Ivan Barentine	350
Curtis Trahan	200
Billy Storm	700
Robert Trahan	550
Eric Trahan	<u>150</u>
Total	<u>\$ 2,650</u>

McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925
800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070
337 433-1063 • Fax 337 436-6618 • Web page: www.mqb-cpa.com

Robert M. Gani, CPA, MT
Mollie C. Broussard, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFP™
Billy D. Fisher, CPA
Joe G. Peshoff, II, CPA, CVA



Michael N. McGee, CPA
David M. DesOrmeaux, CPA
Paula J. Thompson, CPA

Orray J. Woods, Jr., CPA, Inactive
Robert E. Cargile, CPA, Inactive
William A. Mancuso, CPA, Inactive
Barbara Hurson Gonzales, CPA, Retired
Judson J. McCann, Jr., CPA, Retired
Martin L. Chelovsky, CPA, CFE
Carl W. Comeaux, CPA, Retired
Gus W. Schram, III, CPA, CVA, Retired

CFE - Certified Fraud Examiner
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Gravity Drainage District No. 7
of Cameron Parish
Cameron, Louisiana

We have audited the component unit financial statements of the governmental activities of the Gravity Drainage District No. 7 as of and for the year ended December 31, 2010, which comprises the Gravity Drainage District No. 7's basic financial statements and have issued our report thereon dated June 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Gravity Drainage District No. 7's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the component unit financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gravity Drainage District No. 7's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Gravity Drainage District No. 7's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 10-1 and 10-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gravity Drainage District No. 7's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under Government Auditing Standards.

The Gravity Drainage District No. 7's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Gravity Drainage District No. 7's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Gravity Drainage District No. 7 of Cameron Parish, management and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Burch

Lake Charles, Louisiana
June 27, 2011

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2010

Section I - Summary of Auditor's Reports/Results

1. The type of report issued on the financial statements was an unqualified opinion.
2. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control Material Weaknesses	<u> X </u>	Yes	<u> </u>	No
Internal Control Significant Deficiency	<u> </u>	Yes	<u> X </u>	None reported
Compliance Material to Financial Statements	<u> </u>	Yes	<u> X </u>	No
3. Federal Awards

Not Applicable

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2010
(Continued)

10-01 Segregation of Duties

Condition: Because of the District's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: We have considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties. Management has attempted to mitigate this weakness by its supervision and review procedures.

10-02 District Accounting Personnel Skills

Condition: In our judgment, the District's accounting personnel and those charged with governance, in the course of their assigned duties, lack the resources to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Criteria: The Auditing Standards Board recently issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. SAS No. 112 emphasizes that the auditor cannot be part of your system of internal control over financial reporting.

Effect: Material misstatement in financial statements could go undetected.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2010
(Continued)

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
December 31, 2010

Finding: Lack of segregation of duties

Status: Due to the entity's size, there is an ongoing lack of segregation of duties. Refer to discussion cited as 10-01 on page 31.

Finding: The District's accounting personnel and those charged with governance lack the resources to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles.

Status: Due to the entity's lack of resources, this is a recurring finding. Refer to discussion cited as 10-02 on page 31.

Finding: Budgeted revenues in the General Fund exceeded actual revenues by 22.2%.

Status: Recommended procedures were implemented during the 2010 audit.